

DIVISION OF FINANCIAL INSTITUTIONS
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
STATE OF HAWAII
335 Merchant Street, Room 221
Post Office Box 2054
Honolulu, Hawaii 96805

IN THE MATTER OF THE
APPLICATION OF

For Approval to Engage in
Insurance, Annuities, and Securities
Activities through Linsco/Private
Ledger Corp. Pursuant to Chapter 412,
Hawaii Revised Statutes

[illegible]

DECISION AND ORDER REGARDING
APPLICATION OF
PACIFIC RIM BANK,
HONOLULU, HAWAII

Pursuant to the authority granted to the Commissioner of Financial Institutions (the “Commissioner”), Division of Financial Institutions, Department of Commerce and Consumer Affairs, State of Hawaii, in Chapter 412, Hawaii Revised Statutes (“HRS”), and all applicable Hawaii Administrative Rules (“HAR”), the following findings of fact and conclusions of law are hereby entered:

FINDINGS OF FACT

1. The applicant in this matter is Pacific Rim Bank (hereinafter referred to as "PRB"), a Hawaii corporation, which is a state-chartered bank with its main office located at Two Waterfront Plaza, 500 Ala Moana Boulevard, Suite 2A, Honolulu, Hawaii 96813.

2. The Board of Directors of PRB adopted a written policy pertaining to the retail sales of nondeposit investment products on November 18, 2005, which included policies and procedures addressing compliance, supervision, products, customer information, third party provider, disclosures, advertisements, promotional materials, physical setting, qualifications, training, compensation, and other issues.

3. The Board of Directors of PRB approved the Financial Institution Services Agreement between PRB, Linsco/Private Ledger Corp. ("Linsco"), and Branch Office Manager Herbert Shiraishi, and the Financial Institution Services Agreement (Supplemental Agreement) between PRB and Branch Office Manager Herbert Shiraishi (collectively, the "Agreements") on November 18, 2005. The Agreements were subsequently dated November 28, 2005 and executed by the parties.

4. PRB submitted a letter application dated May 4, 2006 and supplemental information by letters dated May 15, 2006, June 2, 2006, June 16, 2006, July 7, 2006, and August 2, 2006 (collectively, the "Application") for approval under HRS Sections 412:5-205.5, 412:5-205.6, and 412:5-205.7 to permit PRB to engage in insurance, annuities, and securities activities through Linsco under the Agreements.

5. Linsco is registered as a foreign profit corporation with the Business Registration Division, Department of Commerce and Consumer Affairs, State of Hawaii. Linsco is a California corporation with its legal department located at One Beacon Street, 22nd Floor, Boston, Massachusetts 02108-3106. Linsco is a wholly-owned subsidiary of LPL Holdings, Inc., a Massachusetts holding corporation.

6. Linsco is licensed as a resident producer of accident and health or sickness insurance, life insurance, and variable annuities by the Insurance Division, Department of Commerce and Consumer Affairs, State of Hawaii.

7. Linsco is a clearing broker-dealer registered with the National Association of Securities Dealers, Inc. and the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934, and is an investment adviser registered with the Securities and Exchange Commission, pursuant to the Investment Advisers Act of 1940. Linsco is also registered as a Futures Commission Merchant with the Commodity Futures Trading Commission and is a member of the National Futures Association. Additionally, Linsco is a member of the Boston Stock Exchange. Linsco has been registered as a securities broker-dealer, since February 24, 1998, and as an investment adviser firm or federal covered adviser, since September 26, 1991, with the Securities

Compliance Branch, Business Registration Division, Department of Commerce and Consumer Affairs, State of Hawaii.

8. Branch Office Manager Herbert Shiraishi is licensed as a resident producer of accident and health or sickness insurance, life insurance, and variable annuities by the Insurance Division, Department of Commerce and Consumer Affairs, State of Hawaii. Branch Office Manager Herbert Shiraishi is in receipt of an appointment from Linsco to originate all subclasses of life insurance, effective September 29, 2000.

9. Branch Office Manager Herbert Shiraishi is registered as a securities salesperson of Linsco, since September 25, 2000, and as an investment adviser representative of Linsco, since March 12, 2001, with the Securities Compliance Branch, Business Registration Division, Department of Commerce and Consumer Affairs, State of Hawaii.

10. Collectively, Linsco and Branch Office Manager Herbert Shiraishi appear to have extensive knowledge, experience, and financial capability in providing insurance products and services, and securities broker-dealer and investment advisory services through regulated entities, such as banks.

11. The Agreements between PRB, Linsco, and Branch Office Manager Herbert Shiraishi:

- a. Describe the relationship of the parties, operations, obligations and services of each of the parties, revenue sharing arrangements, and other provisions.
- b. Provide that Linsco shall be responsible for supervising customer operations in accordance with applicable federal securities laws, rules of the Securities and Exchange Commission and the National Association of Securities Dealers, Inc., and state securities laws and regulations, including the review of all marketing, advertising, and promotional materials.
- c. State that Linsco and Branch Office Manager Herbert Shiraishi shall be responsible for the supervision of registered representatives, who are independent contractors of Linsco and not employees of PRB.

12. Under the terms of the Agreements, all operations will be conducted in accordance with all applicable federal securities laws, the rules, regulations, and policies of the Securities and Exchange Commission and the National Association of Securities Dealers, Inc. (including Conduct Rule 2350), state securities laws and regulations, the Interagency Statement on Retail Sales of Nondeposit Investment

Products, the National Credit Union Administration Letter No. 150, the Gramm-Leach-Bliley Act (the Financial Modernization Act of 1999), and the USA PATRIOT Act (the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001).

13. Under the terms of the Agreements, the Linsco business shall be established and located in a physically separate area within PRB's offices. PRB shall maintain sufficient separation of its business from the business of Linsco, including separate physical area and appropriate signage.

14. Austin Y. Imamura, Chairman of the Board and Chief Executive Officer, shall be responsible on behalf of PRB for overseeing PRB's insurance, annuities, and securities activities, and ensuring PRB's activities comply with its policy regarding the retail sales of nondeposit investment products and the terms of the Agreements.

15. PRB requested and received confidentiality on certain portions of the Application as provided by HRS Chapter 92F, HRS Section 412:2-104(a), and HAR Sections 16-25-27(b) and 16-25-28.

16. The Application was determined to be complete and accepted by the Commissioner on August 2, 2006.

CONCLUSIONS OF LAW

Upon review and consideration of the Application, and its supporting and incorporating documents, it is concluded that:

1. Pursuant to HRS Chapter 412, Code of Financial Institutions, the Commissioner has jurisdiction over this Application.
2. The Application submitted to the Commissioner is in a form prescribed by or acceptable to the Commissioner and includes, together with supporting and incorporating documents, information required by the Commissioner to make the findings of fact and the conclusions of law set forth herein. Portions of the Application have been deemed confidential by the Commissioner as it contains information that may be withheld from disclosure under HRS Chapter 92F, HRS Section 412:2-104(a), and HAR Sections 16-25-27(b) and 16-25-28.
3. Sufficient information has been provided to enable the Commissioner to find the necessary facts and reach the required conclusions needed before issuing a decision on this Application.

4. The proposed conduct of PRB's insurance, annuities, and securities activities through Linsco will not affect the safety or the soundness of PRB, or harm the public interest.

5. The executive officers and the board of directors of PRB have sufficient experience, qualifications, and financial capability to engage in and conduct the proposed insurance, annuities, and securities activities authorized by HRS Sections 412:5-205.5, 412:5-205.6, and 412:5-205.7 through Linsco in a safe and efficient manner.

6. The proposed conduct of PRB's insurance, annuities, and securities activities through Linsco will promote the convenience, needs, and advantage of the general public.

7. Any conclusion of law that is deemed to be a finding of fact shall be construed to be a finding of fact.

ORDER

NOW, THEREFORE, GOOD CAUSE APPEARING, THE FOLLOWING DECISION AND ORDER IS HEREBY ENTERED:

Pursuant to HRS Sections 412:5-205.5, 412:5-205.6, and 412:5-205.7, the Application of Pacific Rim Bank for approval to engage in insurance, annuities, and securities activities through Linsco/Private Ledger Corp., as described and stated in the Financial Institution Services Agreement dated November 28, 2005 between Pacific Rim Bank, Linsco/Private Ledger Corp., and Branch Office Manager Herbert Shiraishi, and the Financial Institution Services Agreement (Supplemental Agreement) dated November 28, 2005 between Pacific Rim Bank and Branch Office Manager Herbert Shiraishi (collectively, the "Agreements"), is hereby approved. This approval is subject to the following conditions:

1. Pacific Rim Bank's insurance, annuities, and securities activities shall be limited to the terms of the Agreements between Pacific Rim Bank, Linsco/Private Ledger Corp., and Branch Office Manager Herbert Shiraishi.

2. Any modification to the Agreements shall be subject to the Commissioner's prior written approval.

3. Upon termination of the Agreements, Pacific Rim Bank shall cease engaging in insurance, annuities, and securities activities.

4. Pacific Rim Bank's insurance, annuities, and securities activities shall be conducted within the State of Hawaii only.

5. Pacific Rim Bank shall obtain all the necessary regulatory approvals and satisfy all other provisions of applicable federal and state law, including without limitation HRS Chapters 412, 414, 431, and 485, and any administrative rules adopted thereunder, prior to the commencement of any insurance, annuities, and securities activities. Pacific Rim Bank shall satisfy the concerns expressed by the Insurance Division, Department of Commerce and Consumer Affairs, State of Hawaii, in its letter dated May 30, 2006 and the Securities Compliance Branch, Business Registration Division, Department of Commerce and Consumer Affairs, State of Hawaii, in its letter dated July 24, 2006.

6. Pacific Rim Bank shall comply with the Federal Deposit Insurance Corporation statement of policy entitled, "Interagency Statement on Retail Sales of Nondeposit Investment Products," as amended from time to time.

7. Pacific Rim Bank shall maintain strict and total separation of its business from the Linsco/Private Ledger Corp. business, including separation of records and physical facilities. Linsco/Private Ledger Corp. shall only provide services on the premises of Pacific Rim Bank in an area that is physically separate from Pacific Rim Bank's regular business activities, in such a way as to identify clearly the area as an office of Linsco/Private Ledger Corp. through the prominent display of the name of Linsco/Private Ledger Corp. All advertisements and promotional materials shall make it clear that the insurance, annuities, and securities products and services are provided by Linsco/Private Ledger Corp. and not Pacific Rim Bank, and that Pacific Rim Bank and Linsco/Private Ledger Corp. are separate, distinct, and unaffiliated entities, and that the investment products sold through Linsco/Private Ledger Corp. are not deposits insured by the Federal Deposit Insurance Corporation, not deposits or obligations of Pacific Rim Bank, and subject to investment risks, including the possible loss of principal.

8. Pacific Rim Bank shall conduct its insurance, annuities, and securities activities in a prudent manner, consistent with safe and sound banking practices.

9. Within five days thereof, Pacific Rim Bank shall notify the Commissioner in writing of the exact date that insurance, annuities, and securities activities commenced.

10. Within 30 days of approval, Pacific Rim Bank shall provide to the Commissioner in writing the name, address, and telephone number of the individual to whom referral can be made on all inquiries and complaints regarding the conduct of Pacific Rim Bank, Linsco/Private Ledger Corp., and Branch Office Manager Herbert Shiraishi.

11. Within 30 days of establishing insurance, annuities, and securities activities in an additional office, Pacific Rim Bank shall notify the Commissioner in writing of the exact branch or agency office location.

12. The Commissioner shall reserve the right to terminate any insurance, annuities, or securities activity if it is found that the activity is not being conducted in a prudent manner, consistent with safe and sound banking practices. Further, the approval shall not waive, diminish, modify, or estop the Commissioner from imposing penalties or sanctions which may be warranted for violations of any chapters or rules administered by the Commissioner.

This Decision and Order shall be voidable in the sole discretion of the Commissioner if material conditions set forth in this Decision and Order are not fulfilled, if material representations made in support of the Application are not complied with or should be determined to be untrue, or if material facts have been omitted from the Application. This Decision and Order does not waive or limit any other remedy available to the Commissioner for violation of law.

DATED AND ENTERED: August 9, 2006, in HONOLULU, HAWAII.

/s/ D. B. GRIFFIN III
D. B. GRIFFIN III
COMMISSIONER OF FINANCIAL INSTITUTIONS
DIVISION OF FINANCIAL INSTITUTIONS
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
STATE OF HAWAII

[IN THE MATTER OF THE APPLICATION OF PACIFIC RIM BANK, HONOLULU, HAWAII, FOR APPROVAL TO ENGAGE IN INSURANCE, ANNUITIES, AND SECURITIES ACTIVITIES THROUGH LINSICO/PRIVATE LEDGER CORP. PURSUANT TO CHAPTER 412, HAWAII REVISED STATUTES.]